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MEMORANDUM

To: Members of the House Tax Policy Committee

From: Dan Papineau - Michigan Chamber of Commerce, Josh Kluzak – Michigan Dental Association, Charlie Owens – NFIB, Rick Lantz – Delta Dental, Kristen Kraft – Blue Cross Blue Shield

Date: October 11, 2017

Subject: Please Support Health Care Cost Containment, HB 4929 and HB 4930 (Alexander), SB 566 and SB 567 (Zorn)

In July of 2017, the Michigan Department of Treasury ("Treasury") took administrative action that imposed Michigan's 6% sales tax on dental prosthetics (dentures, partials, crowns, bridges, etc.). Done with no advanced notice and no industry engagement, the long-standing sales tax exemption on dental prosthetics was reversed, causing mass confusion for practitioners and an increase in the cost of dental services. During a time when healthcare costs in general are dramatically rising, we urge your support in "re-exempting" dental prosthetics from the sales tax.

Since 1985, and according to some records since 1955, Treasury has held in an opinion letter that dental prosthetics are exempt from the sales tax. In 2004, significant rewrites to the State's sales and use tax laws were undertaken so Michigan could participate in a national effort to substantially reduce the burden of tax compliance and focus on improving sales and use tax administration. This effort is reflected in what is referred to as Michigan's Streamlined Sales and Use Tax Agreement.

Thirteen years after the changes to Michigan's sales and use tax laws were made, Treasury revoked its official guidance on dental prosthetics based on a provision buried deep in the 2004 statutory changes. Treasury is now enforcing the collection and remittance of the sales tax on dental prosthetics effective July 1, 2017.

Adding 6% to the cost of dental prosthetics runs contrary to our painstaking efforts to keep the cost of healthcare as low as possible. Job providers, medical professionals, and insurance companies strive to meet the demands of healthcare needs at affordable levels. Applying any kind of government-imposed tax or fee on any healthcare service exacerbates an already obvious problem that faces this state and country.

Michigan already exempts prosthetic devices from the sales tax, such as hearing aids, braces, eye glasses, kidney dialysis equipment, oxygen delivery equipment, canes, walkers, corrective shoes, crutches, and pace makers when prescribed. Why would necessary dental apparatuses be any different?

Michigan has never collected tax on dental prosthetics before, and for good reason. We urge your quick consideration and support for the re-exemption of dental prosthetics from the sales and use tax.